

Science: Economics

PROBLEM STATEMENT OF MODELING THE CONGRUENCE OF SOCIAL PARTNERSHIP PARTICIPANTS' INTERESTS BASED ON AGENCY APPROACH

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The article deals with the peculiarities of institutional regulation of social and labor relations in the country by using the multi agent approach. All members of labor market have been presented as economic agent. The interactions between such agents reveal the author's approach to modeling social partnership dynamics. The relationship between economic agents based on the principle of state, business owners, employers and workers equality participation in economic development. This principle in the article has been provided also as a base of institutional regulation of social and labor relations. The basic model of interests' harmonization of social partnership participants is proposed in this article. The peculiarity of this model is its hierarchical representation which realized by fractal description of labor market and relationship between its members. As part of the fractal presentation of labor market the article provides differentiation of institutions of state regulation of social partnership. The article also contains the list of tools for vertical and horizontal social partnership interests' harmonization and the division such tools within the fractal levels. The author's proposal also lay in a plane of using of different models of social partnership for building the arena of agents' interaction and regulating their negotiations. Additionally the article highlighted the reflective aspect of social partnership participants' interest harmonization. Exactly this reflective component determines the characteristics of the social partnership institutionalization process.

Key words: social partnership, economic interests, bipartism, tripartism, labor market, government regulation, institutional regulation, agency approach.

I. Introduction. At the present stage social and economic development of

Ukraine is characterized by aggravation of many problems at work. It makes necessary to deepen the research on regularities of effective system of social and working relations formation which is based on partnership. The partnership is gradually transformed into one of the forms of institutional regulation of the relations of labor market participants. The trend of spreading the partnerships into the labor market represented in the works such authors as D. H. Autor [1], R. B. Freeman [5] or G. Grantham [3] and their coauthors. In this context should be noted that the role of the social aspect of labor market regulation began to occupy an important place in economic research. For example, D. Ringold with L. Kasek [9] studied social protection and social assistance as an important element of the EU's Social Inclusion process which is very important for Ukrainian labor market development. The scientific research from these economic papers [1, 3, 5, 9] are partially used for the Ukrainian labor market regulation. Moreover, at the state level, Ukrainian government made some steps for spreading social partnership institution into labor market regulation.

The development of social partnership in Ukraine starts from the formal involvement of social partners in making important decisions in socio-economic and labor areas. By virtue of this it has happened gradual approaching of society to awareness of the importance of social partnership as a mechanism for economic growth as a whole. In this context must be supported the idea of H. Compston [2] and C. M. Frege [4] that the transition to a social market model based on anthropocentric approach to the production organizing is the strategic task of the Ukrainian state development. Such approach, firstly, is people-oriented and it involves their needs and interests orientation. Secondly, it is expected the expansion of socially responsible actions of economic entities. The reliability of this offer approval confirmed by the D. Maurrasse [7, c. 2-36] statement that the basis of the emergence of the social partnership concept is the dissemination of the business socially responsible concept.

Unfortunately, there are several obstacles to the final transformation of social partnership in effective institutions of state regulation of the labor market. These are the main of the obstacles: imperfect legislative and regulatory framework; low motivation of employers to participate in social dialogue; the uncertainty of the state's

role in the institute of social partnership; low awareness in society of social partnership. Simultaneously, it is useful to strengthen the regulatory function of the state while adopting a labor policy in the labor market. It is determined by objective circumstances such as the integrity of many market institutions, the inadequate social partnership system, the crudity of institutions of employment regulation and the social guarantees ensuring. So, for overcome these problems is necessary to form the proper system of improvement the contours of state regulation of the labor market. This is possible only through a clear understanding of what is the social partnership.

In the economic [2, 4, 7] literature social partnership is seen as a form of interaction between state institution and civil society institution. For example, H. Compston [2] defines social partnership as a «co-determination of public policy by public authorities, management and labor». [2, p.98]. Social partnership is often presented as a system of relations between labor market agents and institutions concerning state, conditions, content and operating results of the various socio-professional groups, sectors, communities [3, 9]. C. M. Frege [4, p. 78] is rightly thought that at the enterprise level, under the influence of social partnership also occur changes in personnel policies and management style. Moreover, in the R. B. Freeman's [5] research considered an application for a new role of social partnership institutions in the labor market. It's important in case, that social partnership is economically beneficial, about what speaks H. Compston [2, p. 100]. However, social partnership is a conscious desire of the parties to reach a mutual understanding, agree to compromise, cooperate for the social peace, which is an important prerequisite for sustained economic development, and therefore improvement of the quality of life.

In the general sense, social partnership is a recognized institute of the exercise of citizens' rights in a democratic society. It is institution which enables large groups of society to participate in forming of the socio-economic state policy, to influence the decisions made by government or enterprise administration, to promote consultancy between the representatives of government, unions and employers. So, the using of institutional approach to determining the social partnership content gives us the opportunity to form a task of labor market institutional development modeling.

II. Formulation of the problem. Institutional development of labor market leads to commitment of relationship between employees and employers to following certain rules and regulations that will protect the interests of both parties. Such relationships should be formed on the principles of partnership and should focus on the formation of the so-called "perfect game rules" [8]. International experience of social partnership [6, 10] formation and development shows that its main principles are: voluntary entry into labor relationship; equality of all patterns of ownership; representation and defense of its social interests by each entity of labor relations; cooperation within the law; respect of constitutional rights. Implementation of these principles permits to solve social problems of the labor market and to take into account European standards on the state's role in regulating the labor market at the national level. This determines the relevance of adaptation of global practices of institutionalization of social partnership to Ukrainian realities.

Accordingly, the tasks of state will be reduced to executing functions of the guarantor of all citizens' rights, elimination of discrimination while hiring, promotion of transparent relations between employees and employers, regulation of social and labor issues, extension of different employment status and introduction of flexible employment status, defense of employees' rights in case of financial insolvency of the employer, performing function of the intermediary between employers and trade unions, employees and others. Therefore, the task of the state regulation of labor market is to form and to improve these relations regulation mechanisms. In this case, it will be provided the support of balance of the labor market participants' interests, labor conflicts will be prevented and it will be created the conditions for sustainable economic development and rising of living standards. Solving these problems is possible only in case of determining at model level the areas of harmonization interests of social partnership. This is what has defined purpose and content of the articles objectives.

III. Results. To solve this problem we assume that social partnership is an association of representatives acting for employees, trade unions, employers and the state, which is aimed at cooperation, compromise, preparation of proposals for the adoption of common decisions on social and labor relations, expressing the social policy

principle of state. The interests of all of these entities must be harmonized in accordance to fig. 1 which contains a description of interests in as much as possible way.

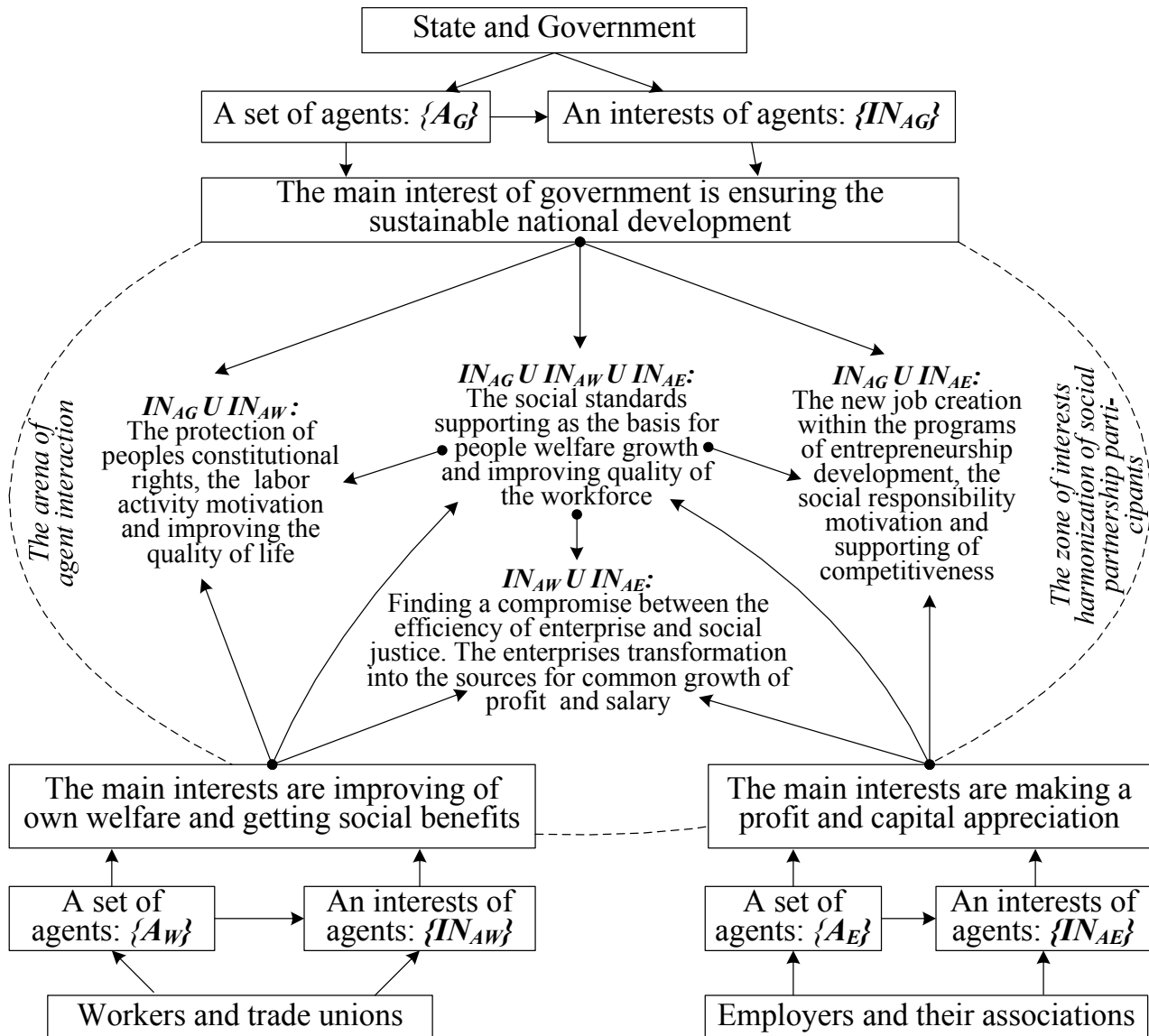


Fig. 1. The basic model of interests' harmonization of social partnership participants

The model of interests harmonization, which shown in Fig. 1, requires specification down to the micro level. In author opinion, the instruments for obtaining such specification must be based on the fractal approach for the economic entities representation. In this case should be considered two ways of state involvement in social partnership relations. The first way, which called «tripartism», focuses on the interaction of government with trade unions and association of employers. However, for an enterprise level the direct government involvement removed. This is the second

way, which called «bipartism». It is clear that tripartite partnership scheme is the most efficient and effective in modern conditions. From the side of the state such tripartite relations are turning into the tools of making and implementing the balanced social and economic policy. That is why we offer allocated the agents for the state policy even at the enterprise level. This interaction of agents will be disclosed in horizontal and vertical levels. The horizontal relationship envisages interactions of agents within a particular fractal. Vertical relationships reveal the fractals hierarchy. The author's version of a fractal describing of the interaction between the agents of social partnership participants is shown in Fig. 2. This diagram presents the agents for workers (A_W) and employers (A_E) which are subject to higher level agents. These higher level agents are associations of employers ($A(\{A_E\})$) and trade union association ($A(\{A_W\})$). Also fig. 2 shows the agent for the government policy disclosure (A_G).

The next part of the article describes agents presented in Fig. 2. The lower level of the model reveals the bipartism relationship which transformed into tripartism in parallel with level increasing. For example, the agents of workers (A_W) from at the lower level in cooperation ($\{A_W\}$) forming on the next level the trade union association ($A(\{A_W\})$). It is the allocation of trade unions being a basis of the social partnership institution formation. Trade unions are one of the civic organizations which are created by the workers in order to protect their social, economic and professional rights. The creation of trade unions conduct the realization of the social partnership ideology as the most civilized way of reconciling the interests of participants in the labor market through consultations, negotiations and agreements. The collective agreements in the context of employment concern the issues of quantitative correspondence of workers to production needs of enterprise and provide social actions to mitigate layoffs. The collective agreements include regulations that allow labor unions to actively influence employment. These agreements regulate the general organization of work positions in order to meet production requirements or determine the employment conditions of special categories workers.

The collective agreements forming are the first way to the social partnership institutionalizing. The institutionalization of social partnership is a process of formal

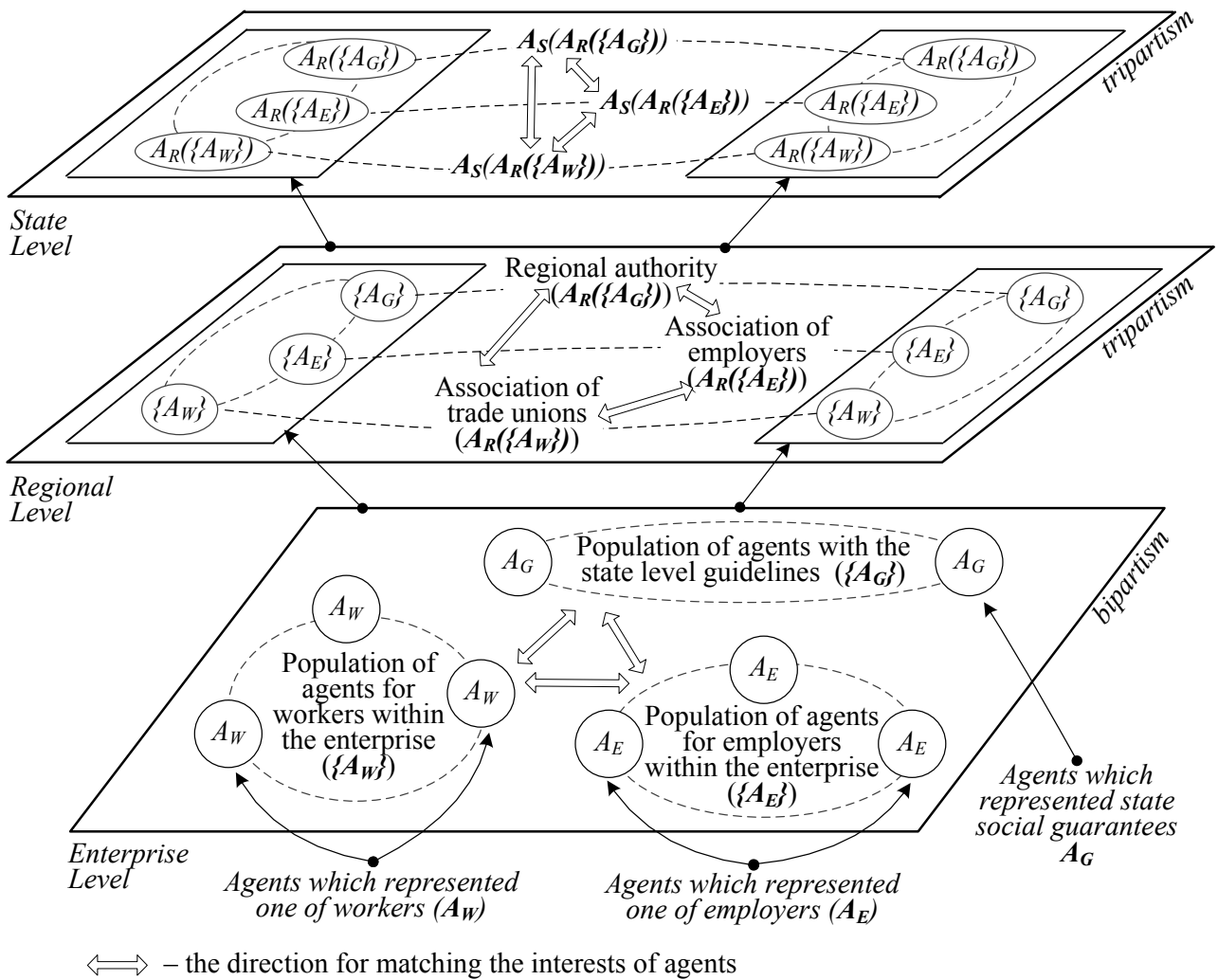


Fig. 2. The fractal representation of labor market and appropriate relations between social partnership participants

and law rules development for all social partnership participants. Such institutionalization provides also legalization of social partnership. This legalization is the only way to recognition of the existence and functioning of partnership legitimate and reasonable from the side of agents which presented at fig. 1 and fig 2. In a result of these processes arising the institute of social partnership which acts as tools of fixing and allocation models reconciling the interests of social partnership members. Really, social partnership institution promotes the harmonization of interests (IN), on the one hand, of employees, labor groups and trade unions and, on the other hand, of employers and their associations. Social partnership institution is quite flexible, because it is based on the principles of voluntariness and mutual rights of the parties.

The advantage of social partnership institution is its extension at different levels of the economy - national, sectoral, regional and micro level (the level of individual companies). The interests of social partnership participants also can be represented by using the fractal approach. The respective scheme of interest's inheritance is given in Fig. 3. The focusing on the fractal approach allows us to submit the labor market not only as amount of sectoral labor markets. Fractal approach gives us the possibility to conduct the labor market as the result of a complex interpenetration and mutual influence of the interests of social partnership participants. Moreover, the fractal approach gives us another possibility to consider the reflection of interest in the context of fractals from Fig. 3.

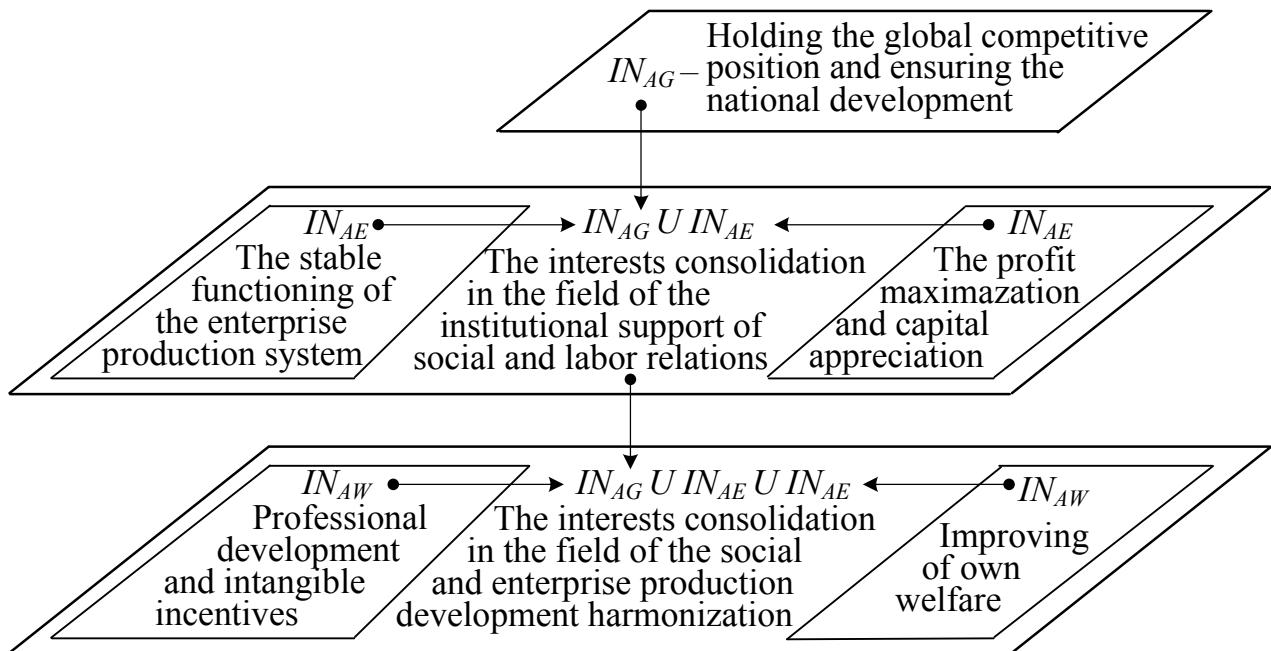


Fig 3. The differentiation of the interests of social partnership participants between its agents and fractals

Let us continue with an example of vertical inheritance of interest between fractals. For this purpose, consider the process of coordination of interests between workers and employers by collective agreements. Such collective agreements at fig. 3 are considered as a form of horizontal and vertical coordination of interests. The collective agreements often contain sectoral agreements provisions, thereby consolidating the social rights of workers in the enterprise (hiring and firing rules, guarantees of rights during the transition to another job, providing pre-retirement

leave). In response to the demands of trade unions to reduce the working week management makes counter-proposal by the introduction of flexible working hours regime. As a result, such provisions like flexible working appear in the collective agreements, which allow changing the working hours in connection with demand fluctuations and also such issues like work on weekends or «brief» working week.

Another tool for reconciling the interests of agents and providing there matching is the creation the associations of employers. Such associations in Fig. 2 defined as $A(\{A_E\})$. The associations of employers forming are based on the common interests of employers as the buyers of labor. Having its interest in making profit, taking on markets, etc., entrepreneurs have possibilities to coordinate technical, economic and social policies, development of production without disruption and destructive conflicts by virtue of the social partnership system. A special place of employers in the system of social and working relations is determined by the creation of jobs, the specification of the scope and structure of labor demand, the bringing in labor force to public production through the mechanism of the labor market, the conclusion of employment agreement with employees, the collective bargaining and the impact on its structure and content. It should be noted, that the procedure of agents interaction from fig. 2 are determined by the model of social partnership which accepted in the country.

IV. Conclusions. As can be seen from the text of the article, in order to implement integrated social partnership institution it is necessary to pursue appropriate public policy which is aimed at changing the principles of labor relations regulation, expansion of treaty framework and taking into account the need to maintain a balance between the interests of employees and employers. The practical significance of the results is that they can be used for creating an effective system of social partnerships. Such efficiency will be achieved by achieving optimal matching of the Institute of social partnership with the indicators of the labor market.

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